



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 6, 1998

### **S. 474**

### **Internet Gambling Prohibition Act of 1997**

*As reported by the Senate Committee on the Judiciary on October 23, 1997*

CBO estimates that implementing S. 474 would cost about \$2 million in fiscal year 1999 and \$8 million over the 1999-2003 period, assuming appropriation of the necessary funds. In addition, the bill would affect receipts and direct spending through the imposition of criminal fines and the resulting spending from the Crime Victims Fund. Therefore, pay-as-you-go procedures would apply. CBO estimates, however, that the amounts of additional receipts and direct spending would not be significant.

S. 474 would prohibit gambling conducted over the Internet or an interactive computer service. It would require the Secretary of State to negotiate agreements with foreign countries that would enable the U.S. government to enforce provisions of the bill with respect to businesses that commit violations from outside the United States. The Secretary would be required to report to the Congress on the progress of negotiations. Based on information from the Department of State, CBO estimates that implementing this provision would cost about \$2 million a year over the 1999-2002 period, assuming enactment of the bill by October 1, 1998, and appropriation of the necessary amounts. These costs would be largely for salaries and expenses of personnel involved in preparing and negotiating the agreements.

In addition, S. 474 would establish criminal fines and penalties for gambling on the Internet or other interactive computer services. Based on information from the Department of Justice (DOJ), CBO expects that enacting this bill would enable DOJ to prosecute several additional cases each year. Because DOJ may prosecute certain criminal cases that would not be tried under current law, enacting S. 474 could result in additional costs for federal prosecutors, the federal court system, and the federal prison system, subject to the availability of appropriated funds. CBO, however, expects that any additional discretionary costs would not be significant.

Depending on whether DOJ wins a case, the fine assessed for each case could reach \$20,000. Any collections from such fines are recorded on the budget as governmental receipts (revenues). They are deposited in the Crime Victims Fund and spent the following year.

Because any increase in direct spending under S. 474 would be the same as the amount collected with a one-year lag, the additional direct spending would be negligible.

The CBO staff contacts for this estimate are Mark Grabowicz (for DOJ's costs), and Sunita D'Monte (for the State Department's costs). This estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.